



Questions and Answers From Public Forums

Revised Aug. 18, 2021

Below are answers to questions that were raised during recent public forums regarding proposed water and wastewater rate increases.

Question: I wanted to confirm calculations in terms of the equitable distribution to the different classes. This is a significant increase for single family residents. That is the largest increase of any of the classes and just wanted to confirm that your calculations shows that single family residences use more sewer than the other classes. Is that correct?

Answer: Yes, the cost increase is associated with the change in customer characteristics, not just the volume, but also includes the relative strength of the wastewater. Not only did we have our consultant review this information, but the City's Office of the Independent Budget Analyst had its independent consultant, Stantec, review our cost-of-service study to ensure that proportionality requirement of Proposition 218 was met.

Question: Will there be a review of the rate increases?

Answer: In advance of the January implementation date for each of those subsequent fiscal years (after January 2022), we will review our actual expenses. We will review any changes to determine whether we can offset or reduce any of those increases up to the maximum authorized by City Council at its September meeting. The increases cannot be higher than this maximum amount.

Question: How much of these wastewater rates are paying for Pure Water Phase 1?

Per the cost-of-service study, the additional revenue being raised by the 2022 rate increase in its first 12 months is \$13.9 million. Of that \$13.9 million, \$972,000 is expected to cover increases in Pure Water operations expenses paid by the sewer utility or 6.99% of the 12 months revenue increase. The Public Utilities Department expects to pay \$7.65 million more in total (an average of \$1.84 million a year) over the four years covered under the rate case, than was expended in fiscal year 2021.

Although Pure Water Phase 1 is a key component of our capital improvement program and accounts for approximately 41% of our total fiscal years 2022-2025 capital costs, the department's use of low interest State Revolving Funds loans reduces the impact of the program until after substantial completion of the capital project which is expected in 2025 and spreads the costs over a 30-year period. The department expects to pay \$4.4 million in debt service during the cost-of-service period for the Pure Water program on behalf of the sewer utility from 2022 to 2025.

In summary, if all the maximum rate increases are done over the four-year rate case, \$101.4 million in additional revenue would be raised from the rate increases, which would support \$11.77 million in additional expenses for the sewer utilities portion of the Pure Water program during the period or 11.61% of the additional rate revenue.

Please note the following simplifying assumption was used for this analysis:

- All Pure Water costs are being picked up by City of San Diego ratepayer revenue. This assumption does not account for the contribution of the 14 member agencies of the Metro Joint Powers Authority. These jurisdictions and their users pay their proportionate share of the costs based on the City's agreements with the jurisdiction on a year-by-year basis and based on their actual use of the system, which impacts the share paid by San Diego ratepayers. The numbers above represent the high-end estimate that could be paid by City of San Diego ratepayers.
- All increases in the Pure Water Program are covered by rate increases, instead of savings in other areas of the utility. The Public Utilities Department has many functions that have varying degrees of expenditures in any given year which can offset the increase in one program over the other. This assumption assumes that none of the increases in the Pure Water program are absorbed with other savings, which provides a high-end estimate.

Question: Why did the Public Utilities Department wait 10 years for this rate increase?

Answer: The last cost-of-service process was done in advance of the 2009 recession. The revenues from that rate increase were able to fund the department's operations and capital needs longer than expected. It is not a best practice to go this long without a cost-of-service study and the Public Utilities Department aims to go through the cost-of-service process closer to every three to five years in the future.

Question: What is the timeline on Governor Drive replacement of sewer lines?

There are currently two sewer projects along Governor Drive:

- B18095 -AC Water & Sewer Group 1048 (S) (<https://cipapp.sandiego.gov/CIPDetail.aspx?ID=B18095>)
- B19087 - University City Improv 1 (S) (<https://cipapp.sandiego.gov/CIPDetail.aspx?ID=B19087>)

B18095 is in design phase and is expected to start construction in June 2022 and be complete in January 2025. B19087 is in design phase and is expected to start construction in June 2022 and be complete in September 2024

A map of capital projects in the city can be found at <https://webmaps.sandiego.gov/cippublic/>
Pages for individual projects can be found at <https://cipapp.sandiego.gov/cipdistrictnav.aspx>

Question: Are accessory dwelling units (ADUs) classified as multi-family or single-family Residential customer?

Answer: When a new ADU and an existing residence share the existing meter, the existing residential customer is changed from a single-family to multi-family.